# ASSEMBLY, No. 1277

# STATE OF NEW JERSEY

# 215th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2012 SESSION

**Sponsored by:** 

Assemblyman CRAIG J. COUGHLIN

**District 19 (Middlesex)** 

Assemblyman JON M. BRAMNICK

**District 21 (Morris, Somerset and Union)** 

Assemblyman PATRICK J. DIEGNAN, JR.

**District 18 (Middlesex)** 

Assemblywoman ALISON LITTELL MCHOSE

**District 24 (Morris, Sussex and Warren)** 

Assemblyman ANTHONY M. BUCCO

**District 25 (Morris and Somerset)** 

## Co-Sponsored by:

Assemblywoman N.Munoz, Assemblymen Benson, Wilson, Fuentes and Greenwald

## **SYNOPSIS**

Increases production limitations and revises privileges of limited and restricted breweries.

## **CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel

(Sponsorship Updated As Of: 3/13/2012)

1	AN ACT	concerning	certain	brewery	licenses	and	amending
2	R.S.33:	1-10, P.L.196	52 c.152,	and R.S.3	33:1-43.		

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BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

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- 1. R.S.33:1-10 is amended to read as follows:
- 33:1-10. Class A licenses shall be subdivided and classified as 9 follows:

Plenary brewery license. 1a. The holder of this license shall be entitled, subject to rules and regulations, to brew any malt alcoholic beverages and to sell and distribute his products to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse. The fee for this license shall be \$10,625.

Limited brewery license. 1b. The holder of this license shall be entitled, subject to rules and regulations, to brew any malt alcoholic beverages in a quantity to be expressed in said license, dependent upon the following fees and not in excess of [300,000] 500,000 barrels of 31 fluid gallons capacity per year and to sell and distribute this product to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, [and] to maintain a warehouse, and to sell his products at retail to consumers on the licensed premises of the brewery for consumption on or off the premises, and to offer samples for sampling purposes only. The fee for this license shall be graduated as follows:

to so brew not more than 50,000 barrels of 31 liquid gallons capacity per annum, \$1,250;

to so brew not more than 100,000 barrels of 31 fluid gallons capacity per annum, \$2,500;

to so brew not more than [200,000] 300,000 barrels of 31 fluid gallons capacity per annum, \$5,000;

to so brew not more than [300,000] 500,000 barrels of 31 fluid gallons capacity per annum, \$7,500. The holder of this license shall also have the right to sell such malt alcoholic beverages at retail in original packages in 10 salesrooms apart from the brewery premises for consumption on or off the premises and for sampling purposes for consumption on the premises, at a fee of \$250 for each salesroom.

43 Upon submission of the required fees and proof satisfactory to 44 the director, a brewery duly licensed in another state, with annual

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

production not in excess of 500,000 barrels of 31 fluid gallons 1 2 capacity per annum, may apply for a limited brewery license under 3 this subsection. The holder of the limited brewery license granted 4 pursuant to this subsection shall have the right to sell the brewery's 5 products to consumers at retail in original packages in 10 6 salesrooms situated in the State of New Jersey for consumption on 7 or off the premises and for sampling purposes for consumption on 8 the premises, at a fee of \$250 for each salesroom.

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For the purposes of this section, "sampling" means the selling at a nominal charge or the gratuitous offering of an open container not exceeding four ounces of any malt alcoholic beverage. For the purposes of this section, "product" means any malt alcoholic beverage that is produced by the licensee on its licensed premises situated in the State of New Jersey.

Restricted brewery license. 1c. The holder of this license shall be entitled, subject to rules and regulations, to brew any malt alcoholic beverages in a quantity to be expressed in such license not in excess of [3,000] 10,000 barrels of 31 gallons capacity per year. Notwithstanding the provisions of R.S.33:1-26, the director shall issue a restricted brewery license only to a person or an entity which has identical ownership to an entity which holds a plenary retail consumption license issued pursuant to R.S.33:1-12, provided that such plenary retail consumption license is operated in conjunction with a restaurant regularly and principally used for the purpose of providing meals to its customers and having adequate kitchen and dining room facilities, and that the licensed restaurant premises is immediately adjoining the premises licensed as a restricted brewery. The holder of this license shall only be entitled to sell or deliver the product to that restaurant premises, or to another restaurant premises operated by the same entity which also holds a plenary retail consumption license issued pursuant to R.S.33:1-12 for that licensed premises, but which does not hold a restricted brewery license issued pursuant to this section adjacent to that licensed restaurant premises. The fee for this license shall be \$1,250, which fee shall entitle the holder to brew up to 1,000 barrels of 31 liquid gallons per annum. The licensee also shall pay an additional [\$625] \$250 for every additional 1,000 barrels of 31 fluid gallons produced. [No more than two restricted brewery licenses shall be issued to a person or entity which holds an interest in a plenary retail consumption license. The fee shall be estimated and paid at the time of application for the license, and shall be adjusted within 60 days following the expiration of the license term upon certification by the licensee of the actual gallons brewed during the license term. If the governing body of the municipality in which the licensed premises will be located should file a written objection, the director shall hold a hearing and may issue the license only if the director finds that the issuance of the license will not be

contrary to the public interest. All fees related to the issuance of both licenses shall be paid in accordance with statutory law. The holder of this license shall also have the privilege to offer samples of its product off the licensed premises pursuant to an annual permit issued by the director. The holder of this license also may hold a limited brewery license for the same premises licensed under this restricted brewery license.

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Plenary winery license. 2a. Provided that the holder is engaged in growing and cultivating grapes or fruit used in the production of wine on at least three acres on, or adjacent to, the winery premises, the holder of this license shall be entitled, subject to rules and regulations, to produce any fermented wines, and to blend, fortify and treat wines, and to sell and distribute his products to wholesalers and retailers license in accordance with this chapter and to churches for religious purposes, and to sell and distribute with this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse, and to sell his products at retail to consumers on the licensed premises of the winery for consumption on or off the premises and to offer samples for sampling purposes only. The fee for this license shall be \$938. The holder of this license shall also have the right to sell such wine at retail in original packages in six salesrooms apart from the winery premises for consumption on or off the premises and for sampling purposes for consumption on the premises, at a fee of Additionally, subject to rules and \$250 for each saleroom. regulations, one salesroom per county may be jointly controlled and operated by at least two plenary or farm winery licensees for the sale of the products of any plenary or farm winery licensee for consumption on or off the premises and for consumption on the licensed premises for sampling purposes at an additional fee of \$625 per county salesroom. For the purposes of this subsection, "sampling" means the selling at a nominal charge or the gratuitous offering of an open container not exceeding one and one-half ounces of any wine. For the purposes of this section, "product" means any wine that is produced, blended, fortified, or treated by the licensee on its licensed premises situated in the State of New Jersey. Any holder of a plenary winery license who sold wine which was produced, bottled, and labeled by that holder in a place other than its licensed New Jersey premises between July 1, 1992 and June 30, 1993, may continue to sell that wine provided no more than 25,000 cases, each case consisting of 12 750 milliliter bottles or the equivalent, are sold in any single license year. This privilege shall terminate upon, and not survive, any transfer of the license to another person or entity subsequent to the effective date of this 1993 amendatory act or any transfer of stock of the licensed corporation other than to children, grandchildren, parents, spouses or siblings of the existing stockholders.

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Farm winery license. 2b. The holder of this license shall be entitled, subject to rules and regulations, to manufacture any fermented wines and fruit juices in a quantity to be expressed in said license, dependent upon the following fees and not in excess of 50,000 gallons per year and to sell and distribute his products to wholesalers and retailers licensed in accordance with this chapter and to churches for religious purposes and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse and to sell at retail to consumers for consumption on or off the licensed premises and to offer samples for sampling purposes only. The license shall be issued only when the winery at which such fermented wines and fruit juices are manufactured is located and constructed upon a tract of land exclusively under the control of the licensee, provided that the license is actively engaged in growing and cultivating an area of not less than three acres on or adjacent to the winery premises and on which are growing grape vines or fruit to be processed into wine or fruit juice; and provided, further, that for the first five years of the operation of the winery such fermented wines and fruit juices shall be manufactured from at least 51% grapes or fruit grown in the State and that thereafter they shall be manufactured from grapes or fruit grown in this State at least to the extent required for labeling as "New Jersey Wine" under the applicable federal laws and regulations. The containers of all wine sold to consumers by such licensee shall have affixed a label stating such information as shall be required by the rules and regulations of the Director of the Division of Alcoholic Beverage Control. The fee for this license shall be graduated as follows:

To so manufacture between 30,000 and 50,000 gallons per annum, \$375; to so manufacture between 2,500 and 30,000 gallons per annum, \$250; to so manufacture between 1,000 and 2,500 gallons per annum, \$125; to so manufacture less than 1,000 gallons per annum, \$63. No farm winery shall be held by the holder of a plenary winery license or be situated on a premises licensed as a plenary winery. The holder of this license shall also have the right to sell his products in original packages at retail to consumers in six salesrooms apart from the winery premises for consumption on or off the premises, and for sampling purposes for consumption on the premises, at a fee of \$250 for each salesroom. Additionally, subject to rules and regulations, one salesroom per county may be jointly controlled and operated by at least two plenary or farm winery licensees for the sale of the products of any plenary or farm winery licensee for consumption on or off the premises and for consumption on the licensed premises for sampling purposes only, at an additional fee of \$625 per county salesroom. For the purposes of this subsection, "sampling" means the selling at a nominal charge or the gratuitous offering of an open container not exceeding one

and one-half of any wine. Unless otherwise indicated, for the purposes of this subsection, with respect to farm winery licenses, "manufacture" means the vinification, aging, storage, blending, clarification, stabilization and bottling of wine or juice from New Jersey fruit to the extent required by this subsection.

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Wine blending license. 2c. The holder of this license shall be entitled, subject to rules and regulations, to blend, treat, mix, and bottle fermented wines and fruit juices with non-alcoholic beverages, and to sell and distribute his products to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse. The fee for this license shall be \$625.

Instructional winemaking facility license. 2d. The holder of this license shall be entitled, subject to rules and regulations, to instruct persons in and provide then with the opportunity to participate directly in the process of winemaking and to directly assist such persons in the process of winemaking while in the process of instruction on the premises of the facility. The holder of this license also shall be entitled to manufacture wine on the premises not in excess of an amount of 10% of the wine produced annually on the premises of the facility, which shall be used only to replace quantities lost or discarded during the winemaking process, to maintain a warehouse, and to offer samples produced to persons who have received instruction in winemaking on the premises by the licensee for sampling purposes only on the licensed premises for the purpose of promoting winemaking for personal or household use or consumption. Wine produced on the premises of an instructional winemaking facility shall be used, consumed or disposed of on the facility's premises or distributed from the facility's premises to a person who has participated directly in the process of winemaking for the person's personal or household use or consumption. The holder of this license may sell mercantile items traditionally associated with winemaking and novelty wearing apparel identified with the name of the establishment licensed under the provisions of this section. The holder of this license may use the licensed premises for an event or affair, including an event or affair at which a plenary retail consumption licensee serves alcoholic beverages in compliance with all applicable statutes and regulations promulgated by the director. The fee for this license shall be \$1,000. For the purposes of this subsection, "sampling" means the gratuitous offering of an open container not exceeding one and one-half ounces of any wine.

Plenary distiller license. 3a. The holder of this license shall be entitled, subject to rules and regulation, to manufacture any distilled alcoholic beverages and rectify, blend, treat and mix, and to sell and distribute his products to wholesalers and retailers licensed in

accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse. The fee for this shall be \$12,500.

Limited distillery license. 3b. The holder of this license shall be entitled, subject to rules and regulations, to manufacture and bottle any alcoholic beverages distilled from fruit juices and rectify, blend, treat, mix, compound with wine and add necessary sweetening and flavor to make cordial or liqueur, and to sell and distribute to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution and to warehouse these products. The fee for this license shall be \$3,750.

Supplementary limited distillery license. 3c. The holder of this license shall be entitled, subject to rules and regulations, to bottle and rebottle, in a quantity to be expressed in said license, dependent upon the following fess, alcoholic beverages distilled from fruit juices by such holder pursuant to a priority plenary or limited distillery license, and to sell and distribute his products to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse. The fee for this license shall be graduated as follows:

to so bottle and rebottle not more than 5,000 wine gallons per annum, \$313;

to so bottle and rebottle not more than 10,000 wine gallons per annum, \$625;

to so bottle and rebottle without limit as to amount, \$1,250.

Rectifier and blender license. 4. The holder of this license shall be entitled, subject to rules and regulations, to rectify, blend, treat and mix distilled alcoholic beverages, and to fortify, blend, and treat fermented alcoholic beverages, and to prepare mixtures of alcoholic beverages, and to sell and distribute his products to wholesalers and retailers licensed in accordance with this chapter, and to sell and distribute without this State to any persons pursuant to the laws of the places of such sale and distribution, and to maintain a warehouse. The fee for this license shall be \$7,500.

Bonded warehouse bottling license. 5. The holder of this license shall be entitled, subject to rules and regulations, to bottle alcoholic beverages in bond on behalf of all persons authorized by federal and State law and regulations to withdraw alcoholic beverages from bond. The fee for this license shall be \$625. This license shall be issued only to persons holding permits to operate Internal Revenue bonded warehouses pursuant to the laws of the United States. The provisions of section 21 of P.L.2003, c.117 amendatory of this

section shall apply to licenses issued or transferred on or after July 1, 2003, and to license renewals commencing on or after July 1, 2003.

(cf: P.L.2007, c. 329, s.1)

- 2. Section 2 of P.L.1962, c.152 (C.33:1-12.32) is amended to read as follow:
- 2. The provisions of this act shall not apply to the acquisition of an additional license or licenses or an interest therein, when such license is issued to a person for use in connection with the operation of a hotel containing at least 50 sleeping rooms, for use in connection with the operation of a restaurant, for use in connection with the operation of a bowling establishment consisting of more than 20 lanes, but only so long as the person uses the license in connection with the operation of that bowling establishment, for use in a restaurant having ownership which is identical to the ownership of a restricted brewery license issued pursuant to R.S.33:1-10, or for use on premises within the grounds of an international airport, nor shall the provisions of this act affect the right of any person to dispose of an interest in a license or licenses by will or to the transfer of such an interest by descent and distribution.

Any additional license acquired for use in connection with a restaurant or bowling establishment consisting of more than 20 lanes or for use on premises within the grounds of an international airport, as herein authorized, shall be limited, however, to the sale of alcoholic beverages for consumption on the licensed premises only, except that this restriction shall not apply to the sale of malt alcoholic beverages produced on the licensed premises of a restricted brewery pursuant to R.S.33:1-10.

30 (cf: P.L.1985, c.65, s.1)

- 3. R.S.33:1-43 is amended to read as follows:
- 33:1-43. a. It shall be unlawful for any owner, part owner, stockholder or officer or director of any corporation, or any other person whatsoever interested in any way whatsoever in any brewery, winery, distillery or rectifying and blending plant, or any wholesaler of alcoholic beverages, to conduct, own either in whole or in part, or be directly or indirectly interested in the retailing of any alcoholic beverages in New Jersey except as provided in this chapter, and such interest shall include any payments or delivery of money or property by way of loan or otherwise accompanied by an agreement to sell the product of said brewery, winery, distillery, rectifying and blending plant or wholesaler.
- b. It shall be unlawful for any owner, part owner, stockholder or officer or director of any corporation, or any other person whatsoever, interested in any way whatsoever in the retailing of alcoholic beverages to conduct, own either whole or in part, or to be

a shareholder, officer or director of a corporation or association, directly or indirectly, interested in any brewery, winery, distillery, rectifying and blending plant, or wholesaling or importing interest of any kind whatsoever.

No interest in the retailing of alcoholic beverages shall be deemed to exist by reason of the ownership, delivery or loan of interior signs designed for and exclusively used for advertising the product of or product offered for sale by such brewery, winery, distillery or rectifying and blending plant or wholesaler.

c. Nothing in this section shall prohibit:

- (1) The exercise of limited retail privileges by Class A or Class B licensees conferred pursuant to R.S.33:1-10, R.S.33:1-11, by rule or regulation or by special permit issued by the director;
- (2) Any owner, part owner, stockholder, officer or director of any corporation, or any other person whatsoever interested in any way whatsoever in any brewery, winery, distillery, rectifying and blending plant or any wholesaler of alcoholic beverages, from conducting, owning, either in whole or in part, or being directly or indirectly interested in the retailing of any alcoholic beverages, under any retail consumption license or State issued permit, in conjunction with and as a part of the operations of a hotel or motel;
- (3) Any owner, part owner, stockholder or officer or director of any corporation, or any other person or corporation interested in any way whatsoever in the retailing of alcoholic beverages, under a retail consumption license or State issued permit, in conjunction with and as a part of the operations of a hotel or motel from conducting, owning, either in whole or in part, or being a shareholder, officer or director of a corporation or association, directly or indirectly interested in any brewery, winery, distillery, rectifying and blending plant, or wholesaling or importing interest of any kind whatsoever; or
- (4) The exercise of a <u>limited brewery or</u> restricted brewery license privilege by an immediately adjoining <u>or other</u> restaurant having a plenary retail consumption license issued under R.S.33:1-12, and having ownership which is identical to the ownership of the <u>limited brewery license</u> and restricted brewery license.

No more than 20% of the total gross annual revenues of a hotel or motel described in paragraphs (2) and (3) shall be derived from the sale of alcoholic beverages by the hotel or motel. A retail licensee described in paragraphs (2) and (3) shall not purchase or sell any alcoholic beverage product produced or sold by the brewery, winery, distillery, rectifying and blending plant, wholesaler or importer that has any interest in the retail license of the hotel or motel, unless the total of all such products is 5% or less of the total volume of alcoholic beverage products purchased and sold annually by the hotel or motel holding the retail license. The retail licensee shall, within 30 days following the effective date of

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this act, file with the Division of Alcoholic Beverage Control a list of all alcoholic beverage products which shall not be purchased or sold by the hotel or motel except to the extent permitted herein. Thereafter, the retail licensee shall file a new or amended list with the division within 30 days of any changed circumstances which affect the information on the list. This list shall be made available to the public upon request.

For purposes of this subsection "hotel" or "motel" means an establishment containing at least 100 guest room accommodations where the relationship between the occupants thereof and the owner or operator of the establishment is that of innkeeper and guest.

(cf: P.L.1993, c.216, s.3)

4. This act shall take effect immediately.

#### **STATEMENT**

This bill revises current law concerning limited breweries and restricted breweries, which are popularly known as brewpubs.

The bill permits limited breweries to increase their annual production from 300,000 to 500,000 barrels annually. The bill also permits these breweries to sell their products at retail to consumers on the licensed premises of the brewery for consumption on or off the premises, and to offer samples. The bill revises the fee for licensees who produce certain quantities: the fee to produce up to 300,000 barrels annually would be \$5,000 and to brew up to 500,000 barrels annually would be \$7,500. The bill also permits the licensee to sell malt alcoholic beverages at retail in original packages in 10 salesrooms for consumption on or off the premises, and to offer samples, at a fee of \$250 for each salesroom.

Upon submission of the required fees and proof satisfactory to the director, a brewery duly licensed in another state which does not produce more than 500,000 barrels annually may apply for a limited brewery license under the bill. The holder of the limited brewery license would have the right to sell the brewery's products to consumers at retail in original packages in 10 salesrooms situated in New Jersey for consumption on or off the premises and to offer samples, at a fee of \$250 for each salesroom.

The bill also increases the quantity of malt alcoholic beverages that may be produced by a restricted brewery from 3,000 to 10,000 barrels annually. Under current law, a restricted brewery must be operated in conjunction with a restaurant which is immediately adjoining the restricted brewery premises, and the brewery product only may be delivered to that restaurant premises. This bill permits licensees to serve their products at another restaurant they own which is not a restricted brewery. The bill decreases the fee the

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licensee is required to pay from \$625 to \$250 for every additional 1,000 barrels produced. In addition, the licensee may offer samples of its products off the licensed premises if the licensee obtains an annual permit issued by the director. The bill also permits a restricted brewery licensee to obtain a limited brewery license for the same premises licensed as a restricted brewery.

7 Current law prohibits the acquisition of more than two alcoholic 8 beverage retail licenses, with certain exceptions including 9 restaurants. This bill amends that statute to provide an exception for the acquisition of an additional license to be used in a restaurant 10 11 with ownership identical to the ownership of a restricted brewery 12 license. If an additional license is acquired under current law for 13 use in a restaurant, the licensee may sell alcoholic beverages for 14 consumption only on the licensed premises. Under this bill, 15 however, the restaurant would be permitted to sell malt alcoholic 16 beverages produced by a restricted brewery for consumption off the 17 licensed premises.

Finally, the bill clarifies that the operation of a limited brewery in conjunction with a restricted brewery and restaurants would not conflict with the "tied house" prohibition established under R.S.33:1-43, which prohibits a person with an interest in a brewery from conducting or being directly or indirectly interested in the retailing of any alcoholic beverages.

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